Modeling attrition

FINANCIAL MODELING

LECTURE SUMMARY

Covered in this lecture:

How to model attrition

- **Attrition (or churn) is the loss of users/customers in a given period of time**
- Attrition = Users lost during period / Users at the beginning of period
- This doesn't take into account the users that were added during the same period
- If you're selling a physical product, this doesn't really apply to you
- If you're selling a product or service that people regularly interact with, you need to factor attrition in your model
- At first, you're modeling attrition based on assumptions, but after a while you can see the actual rate at which you lose customers and model based on that

- The larger the sample of users, the more accurate your estimation will be

- By modeling attrition, you can notice how the different segments of users differ and try to figure out why that is and how you can improve

- Attrition can become a KPI (key performance indicator) for your business

See you next lecture!